

Deposited  
11/18/85

NOV 28 1984

Dear Sir or Madam:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(3) of the Internal Revenue Code of 1954.

The information submitted discloses that you were incorporated under the nonprofit corporation laws of the State of [redacted] on [redacted].

You are organized exclusively for religious, charitable, scientific, literary or educational purposes within the meaning of section 501(c)(3); specifically, to help disadvantaged people with financial aid, employment, housing, or other aid that is within your power to grant.

You initially applied for exempt status under section 501(c)(3) on [redacted]. On [redacted], we issued a determination letter granting tax exemption. Subsequently, your file was selected for review by our national office, who in turn, sent your file back to us stating our determination of [redacted], was issued prematurely, and that additional information was needed. On [redacted], we sent to you an inquiry to which we received a reply on [redacted] from your president, [redacted], that your Corporation was in the process of dissolving. [redacted] stated that your articles of dissolution would be sent to us. Therefore, on [redacted], we issued a letter terminating the exempt status granted on [redacted].

In your recent application, [redacted] stated that your Corporation did not dissolve, but it did go through a period of reduced activity and reorganization.

Your proposed activities have been to purchase a tract of land to house your counseling center, staff, client housing, and training shops. You intend to purchase or develop business enterprises that will serve both as on the job training facilities and a source of revenue for the Corporation to help its operation. Your objectives have been to provide financial, marital, and job related counseling. When funds become available, you will provide a financial assistance program. You will also open automotive, electronic, carpentry, and construction training shops. Products from these shops will be sold or given to other clients who may need them. Your activities, up to this point in time, however, have been directed towards counseling and training counselors.

CODE	INITIATOR	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER
SUR-NAME		[redacted]	[redacted]	[redacted]	D		
DATE		11/27/84	11/27/84	11/27/84			

██████████

You have no members. Your Corporation is made up of your president, secretary, and three other board members.

Your income has been derived from small anonymous donations, sales of merchandise, and donated services. Your expenditures have been for supplies, postage, and primarily training expenses. These training expenses went to your president, ██████████, as a monetary award as president of your Corporation and to help defray his college expenses.

The Income Tax Regulations applicable to section 501(c)(3) of the Code provide that an organization must be both organized and operated exclusively for one or more of the purposes specified in that section. If it fails to meet either the organizational or the operational test, it is not within the purview of the statutes.

Moreover, an organization is not organized or operated exclusively for one or more of the purposes specified in section 501(c)(3) unless it serves a public rather than a private interest. To meet this requirement, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests.

Treasury Regulations 1.501(c)(3)-1(c)(2) states:

" . . . an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals."

Treasury Regulations 1.501(a)-1(c) states:

" . . . the words "private shareholders or individuals" in section 501 refer to persons having a personal and private interest in the activities of the organization."

Your funds have been diverted for private rather than public purposes; specifically, to defray your president's college expenses.

It is our determination that you are not operated exclusively for one or more exempt purposes and, therefore, you are not entitled to exemption from Federal income tax as an organization described in section 501(c)(3) of the Code.

Contributions made to you are not deductible by the donors as charitable contributions as defined in section 170(c) of the Code.

As provided by section 6104(c) of the Internal Revenue Code of 1954 and the applicable regulations, the appropriate State officials are being notified of our determination.

Until such time as you establish your exempt status for Federal income tax purposes, contributions made to you are not deductible by the donors on their individual tax returns.

If you are in agreement with this proposed determination, we request that you sign and return the enclosed agreement Form 6018. Please note the instructions for signing on the reverse side of this form.

If you are not in agreement with this proposed determination, we recommend that you request a hearing with our office of Regional Director of Appeals. Your request for a hearing should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a hearing. The hearing may be held at the office of Regional Director of Appeals or, if you request, at a mutually convenient District Office. A self-addressed envelope is enclosed.

If we do not hear from you within 30 days from the date of this letter, and you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies and will then become our final determination. Section 7428(b)(2) of the Internal Revenue Code provides in part that, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

Sincerely yours,

District Director

Enclosures:  
Publication 892  
Form 6018